

## Message Text

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PAGE 01 SAN JO 04462 222345Z

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05 L-02

LAB-01 NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01

SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 SWF-01 IO-10 /094 W  
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R 222245Z NOV 74

FM AMEMBASSY SAN JOSE  
TO SECSTATE WASHDC 8651  
INFO AMEMBASSY CARACAS  
AMEMBASSY GUATEMALA  
AMEMBASSY TEGUCIGALPA  
AMEMBASSY SAN SALVADOR  
AMEMBASSY MANAGUA  
AMEMBASSY BOGOTA  
AMEMBASSY BRASILIA  
AMEMBASSY MEXICO  
AMEMBASSY LONDON  
AMCONSUL RIO DE JANEIRO

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E.O. 11652:1\*/A

TAGS: ETRD EAGR CS

SUBJECT: VENEZUELAN FUNDED COFFEE RETENTION SCHEME

REF: STATE 251168

1. AGATT AND ECONOFF CALLED NOVEMBER 22 ON DIRECTOR OF COSTA RICA'S COFFEE OFFICE, ALVARO JIMENEZ, TO DISCUSS NEW PRICE SUPPORT SYSTEM FOR "OTROS SUAVES" COFFEE WHICH IS TO BE FINANCED BY VENEZUELA. JIMENEZ ATTENDED THE CARACAS MEETING.

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PAGE 02 SAN JO 04462 222345Z

2. JIMENEZ SAID THAT COSTA RICA'S SHARE OF THE \$80 MILLION FUND WILL BE \$12 MILLION. THE FUNDS CAN BE DRAWN DOWN AS NEEDED AND ARE TO BE REPAID IN MARCH 1976. THE INTEREST RATE TO BE PAID WILL VARY BETWEEN 6 AND 10 PERCENT DEPENDING ON THE PRICE OF COFFEE, WITH THE LOWER RATE APPLICABLE AT A \$50 PER CWT COFFEE PRICE AND THE HIGHEST RATE AT A PRICE OF \$70. JIMENEZ SAID THAT VENEZUELA HAS ALSO "ROLLED OVER" THE \$20 MILLION LOAN MADE BY COSTA RICA THIS YEAR TO HELP OFFSET HIGHER OIL COSTS, AND WHICH OTHERWISE WOULD HAVE BEEN PAYABLE IN DECEMBER. THUS THE \$12 MILLION IS AN ADDITIONAL AVAILABILITY.

3. JIMENEZ SAID THAT THE MAIN IMPORTANCE OF THE VENEZUELAN FUND WILL BE IN STIMULATING CREATION AND FINANCING OF COFFEE RETENTION SCHEMES IN GUATEXLA AND HONDURAS. COSTA RICAN WHICH ALREADY HAS A PROGRAM OF FINANCING COFFEE RETENTION, WILL TREAT THE \$12 MILLION FROM VENEZUELA MAINLY AS GENERAL BALANCE OF PAYMENTS SUPPORT. SALVADOR WILL GET SPECIAL TREATMENT UNDER THE TERMS OF THE RETENTION SCHEME IN RECOGNITION OF ITS SACRIFICES THIS PAST YEAR IN FINANCING ITS OWN RETENTION PROGRAM. IT WILL BE PERMITTED TO EXPORT ITS FULL 1974-75 CROP PLUS SOME OF ITS PREVIOUS CROP BUILD-UP.

4. THE RATIONALE FOR 20 PERCENT RETENTION OF THIS YEAR'S COFFEE CROP WAS EXPLAINED IN DETAIL BY JIMENEZ. BASICALLY THE 20 PERCENT FIGURE RESULTS FROM AN ESTIMATE THAT WORLD DISAPPEARANCE OF COFFEE (55 MILLION BAGS) WILL BE 5 MILLION BAGS UNDER THE USDA PRODUCTION ESTIMATE (60 MILLION BAGS) AND THAT IMPORTING COUNTRIES HAVE EXCESSIVE STOCKS, WHICH AMOUNT TO 15 MILLION BAGS AND NEED TO BE DRAWN DOWN BY 7 MILLION BAGS TO A "NORMAL" LEVEL OF 8 MILLION BAGS. THE SUM OF TYL TWO FIGURES (5 PLUS 7 MILLION BAGS) REPRESENTS THE RETENTION TOTAL AND EQUALS AN ESTIMATED 20 PERCENT OF THE TOTAL 1974-75 CROPS AS ESTIMATED BY THE USDA.

5. JIMENEZ SERIOUSLY DOUBTS THAT THE ORGANIZATION TO BE ESTABLISHED TO ADMINISTER THE RETENTION SCHEME, SUAVES LIMITED OFFICIAL USE

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PAGE 03 SAN JO 04462 222345Z

CENTRALES, S.A. WILL BE IN EXISTENCE BY DECEMBER 2, AS PREDICTED BY THE MEXICAN REPRESENTATIVES TO THE CARACAS MEETING. UNTIL IT DOES COME IN TO BEING THE SCHEME WILL BE OPERATED BY THE INDIVIDUAL MEMBER COUNTRIES. LANE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Concepts:** COFFEE, MEETINGS, PRODUCERS COOPERATIVES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 NOV 1974  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
**Type:** TE  
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